Statement of cash flow

Lecture example-1(1)

Set out below are the financial statements of Emma, a limited liability company. You have been asked to prepare the company's statement of cash flows, implementing IAS 7 *Statement of cash flows.*

EMMA
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 20X2

	$'000
Sales revenue	2,553
Cost of sales	1,814
Gross profit	739
Distribution costs	125
Administrative expenses	264
Operating profit	350
Interest received	25
Interest paid	75
Profit before tax	300
Income tax expense	240
Profit for the year	60

Statement of cash flow

Lecture example-1(2)

EMMA

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER

	20X2	*20X1*
	$'000	$'000
Non-current assets		
Tangible assets	380	305
Intangible assets	250	200
Investments	–	25
	630	530
Current assets		
Inventories	150	102
Receivables	390	315
Short-term investments	50	
Cash in hand	2	1
	592	418
	1,222	948
Equity and liabilities		
Share capital ($1 ordinary shares)	200	
Share premium account	160	
Revaluation surplus	100	
Retained earnings	160	
	620	491
Non-current liabilities		
Long-term loan	100	
Current liabilities		
Trade payables	127	119
Bank overdraft	85	98
Taxation	290	240
	502	457
	1,222	948

Statement of cash flow

Lecture example-1(3)

The following information is available.

(a) The proceeds of the sale of non-current asset investments amounted to $30,000.

(b) Fixtures and fittings, with an original cost of $85,000 and a carrying value of $45,000, were sold for $32,000 during the year.

(c) The current asset investments fall within the definition of cash equivalents under IAS 7.

(d) The following information relates to property, plant and equipment.

	31.12.20X2	*31.12.20X1*
	$'000	$'000
Cost	720	595
Accumulated depreciation	340	290
Carrying value	380	305

(e) 50,000 $1 ordinary shares were issued during the year at a premium of 20c per share.

Required

Prepare a statement of cash flows for the year to 31 December 20X2 using the format laid out in IAS 7, together with the relevant notes to the statement.

Statement of cash flow

Answer-1(1)

EMMA
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 20X2

	$'000	$'000
Cash flows from operating activities		
Net profit before taxation	300	
Adjustments for:		
Depreciation (W1)	90	
Loss on sale for non-current assets (45-32)	13	
Profit on sale of non-current asset investments	(5)	
Interest received	(25)	
Interest expense	75	
Operating profit before working capital changes	448	
Increase in inventories	(48)	
Increase in receivables	(75)	
Increase in payables	8	
Cash generated from operations	333	
Interest paid	(75)	
Income taxes paid (W2)	(190)	
Net cash from operating activities		68

Statement of cash flow

Answer-1(2)

	$'000	$'000
Cash flows from investing activities		
Purchase of intangible non-current assets	(50)	
Purchase of tangible non-current assets (W1)	(201)	
Receipts from sale of non-current assets (32+30)	62	
Interest received	25	
Net cash used in investing activities		(164)
Cash flows from financing activities		
Proceeds from issue of share capital	60	
Long-term loan	100	
		160
Net increase in cash and cash equivalents		64
Cash and cash equivalents at 1 January 20X2 (Note 1)		(97)
Cash and cash equivalents at 31 December 20X2 (Note 1)		(33)

Note 1 Cash and cash equivalents

	31 December	
	20X2	*20X1*
	$'000	$'000
Cash in hand	2	1
Bank overdraft	(85)	(98)
Short-term investments	50	
	(33)	(97)